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DIVISION OF  
OIL AND GAS

December 20, 2013

Mr. Joe Balash, Commissioner  
Alaska Department of Natural Resources  
550 W. 7<sup>th</sup> Ave., Suite 1400  
Anchorage, AK 99501-3560

VIA HAND DELIVERY

**Re: Notice of Filing for Discovery Royalty for the Sword #1 Well**

Dear Commissioner Balash:

Cook Inlet Energy, LLC ("CIE") hereby submits a Statement of Discovery asserting first discovery of oil or gas with our Sword #1 well. Please find the Statement of Discovery enclosed.

On November 25, 2013, three DNR representatives from the Division of Oil and Gas ("DOG") witnessed a flow test of oil production from the Sword #1 well. The well flowed 121.7 barrels of oil during the 3 hour test, which extrapolated to 973.6 barrels of oil for a 24 hour period. The DOG has requested additional data from the test to support our application for discovery royalty. CIE is still processing the preliminary data from the Sword #1 well and will provide a more detailed report and application to the DOG when the data has been received.

If you have any questions regarding this issue, please do not hesitate to contact me.

Sincerely,

David Hall  
Chief Executive Officer  
Cook Inlet Energy, LLC

Cc: Bill Barron, Director, Division of Oil and Gas

Kyle Smith, Unit Manager

Enc: Statement of Discovery

Before the Commissioner of the  
Department of Natural Resources

COOK INLET ENERGY, LLC  
Applicant

STATEMENT OF DISCOVERY  
(ADL 17602 PARAGRAPH 12)

I, Timothy Jones, under oath and penalty of perjury, do hereby declare as follows:

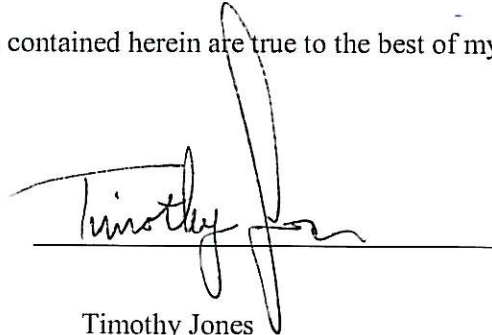
1. I am over 18 years of age and have personal knowledge of the facts set forth herein.
2. On November 25, 2013, at 14:45, Cook Inlet Energy, LLC ("CIE") was the first to drill a well that discovered multiple previously undiscovered oil and natural gas pools, as described herein.
3. The surface and bottom hole locations of the discovery well are:  
Surface: T. 08N., R. 14W., Section 16, S.M. (Private Ownership)  
Bottom hole: T. 08N., R. 14W., Section 2, S.M. (ADL 17602 Segment 1)
4. Reservoirs discovered by the Sword 1 well are trapped in an upthrown fault block bounded to both the North and South by large Down-to-the-North normal faults. Only one well had previously been drilled into this fault block (WFU 1) with no indications of productivity. The WMRU Field production occurs upthrown on the South bounding fault and produces from correlative Hemlock sands in distinct and separate reservoirs to those encountered in the Sword 1 well.
5. The geologic formations containing the previously undiscovered pools are in the Tyonek and Hemlock formations.
6. The true vertical depth ("TVD") of the wellbore below the Kelly Bushing is 10,254.95 feet. The measured depth ("MD") of the wellbore below the Kelly bushing is 18,475 feet. The TVD and MD reference includes 119 feet Ground Level (GL) and 27 feet Kelly Bushing (KB) for an RKB elevation of 146 ft. The wellbore is deviated and the location of the surface and bottom hole locations using State Base Plane Coordinates, NAD 27, are as follows:  
Surface: X= 187767.62, Y= 2482244.25, Zone - 4  
Bottom hole: X= 197388.68, Y= 2493028.59, Zone - 4
7. Multiple pools within the Tyonek and Hemlock formations were identified by initial well logs as being productive. Of the multiple pools identified, 3 were evaluated by Logging While Drilling (LWD) and Mud Logs and 1 has been tested to date.

The depths to the top and base of each formation containing the oil or natural gas pools that were identified by well logs, and the selected horizons that had LWD logs or were tested in each formation, are as follows:

Logged Pay Intervals	MD	TVD	Indicated Pay
Tyonek "G" Sand	16,813-16,870	9,005-9,037	Gas Pay by Mud Log & LWD
Tyonek "G" 0 Sand	17,096-17,146	9,200-9,236	Oil Pay by LWD Evaluation
Hemlock Sands	17,601-18,052	9,562-9,904	Oil

8. The discovery well is located on private subsurface and ADLs 359111 and 17602 Segment 1. The productive zones are located on both ADL 359111 and ADL 17602 Segment 1. The API well number is 50-133-20615-00-00.

By signing below, I certify that the statements contained herein are true to the best of my knowledge.



Timothy Jones  
Staff Landman, Cook Inlet Energy, LLC

STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT        )

SUBSCRIBED AND SWORN TO OR AFFIRMED before me in Anchorage, Alaska on December 20, 2013.





Notary Public in and for Alaska  
My Commission expires: with office